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STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES  
DIRECTOR

June 6, 2008

The Honorable Michelle McManus, Chair  
Senate Appropriations Subcommittee  
on Natural Resources  
S-2 Capitol Building  
P.O. Box 30036  
Lansing, Michigan 48909-7536

The Honorable Michael Lahti, Chair  
House Appropriations Subcommittee  
on Natural Resources  
S-1489 House Office Building  
P.O. Box 30014  
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Lahti:

Pursuant to Section 806, PA 122 of 2007, a combined report of the Department of Natural Resources (DNR) timber treatments, during the first and second quarters of Fiscal Year 2007-08, is attached.

If you have any questions, please feel free to contact me.

Sincerely,

Sharon M. Schafer, Chief  
Budget and Support Services  
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members  
House Appropriations Subcommittee Members  
Ms. Jessica Runnels, Senate Fiscal Agency  
Dr. Kirk Lindquist, House Fiscal Agency  
Mr. Robert Emerson, State Budget Director, Department of  
Management and Budget (DMB)  
Mr. Jacques McNeely, DMB  
Ms. Jennifer Harrison, DMB  
Director Rebecca Humphries, DNR  
Mr. Dennis Fedewa, Chief Deputy, DNR  
Ms. Arminda Koch, Resource Management Deputy, DNR  
Mr. Dennis Fox, Chief of Staff, DNR  
Mr. Daniel Eichinger, Acting Legislative Liaison, DNR  
Ms. Lynne Boyd, DNR  
Ms. Jane Schultz, DNR  
Mr. Joseph Taylor, DNR

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**Department of Natural Resources  
Fiscal Year 2007-08 Timber Report  
Combined First and Second Quarters**

**Background**

In December, 2005, Michigan's state forest system was certified under both the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC) third party forest certification protocols. Forest certification protocols require public participation in forest management planning and forest operations. Certification is essential in order for primary wood producers in Michigan to have continued access to national and international markets. The Department of Natural Resources' (Department) investment in forest certification strengthens Michigan's forest products sector.

The Department's compartment review process has been audited by both the SFI and the FSC and has been recognized as a key public participation mechanism that meets requirements for forest certification.

**First and Second Quarter Fiscal Year (FY) 2007-08 Timber Treatments**

State forest planning and activities, including timber treatments, are conducted within the framework of SFI and FSC forest certification principles and standards. Timber treatments in a given year are based on decisions made two years prior during the compartment review process.

The FY 2007-08 regular plan of work identified 64,958 acres for timber sale preparation that were approved through the compartment review process. In addition, 5,952 acres of harvest and regeneration treatments over three years were approved for the Red Pine Project. This three-year project, funded by the Michigan Forest Finance Authority with a 21<sup>st</sup> Century Jobs Fund allocation, is designed to accelerate red pine management treatments and regeneration. Red Pine Project stands were identified and reviewed using a compartment review process during the second quarter of FY 2007-08. Including the Red Pine Project acres, it is anticipated that 68,654 acres will be available for timber sale preparation in FY 2007-08.

In the first quarter, managers developed work plans to put up for sale 47,884 acres. In the second quarter, managers revised annual work plans to increase the number of acres for timber sale preparation to 56,641 and developed a plan to prepare approximately 4,000 Red Pine Project acres using Department staff and timber marking contracts with private consultants.

No timber sale preparation marking contracts were awarded in the first quarter of FY 2007-08. Previous contracts had expired and new contracts were not in place due to the budget uncertainty. Timber sale preparation marking contracts were approved by the Administrative Board in March. Marking contracts were awarded to private consultants for 2,220 acres. Additional bid packets are being prepared, and it is anticipated that additional contracts will be awarded.

The Department prepared for sale 4,952 acres of timber sales with an estimated volume of 79,233 cords in the first quarter and 9,231 acres with an estimated volume of 136,719 cords in the second quarter. Typically, fewer acres are prepared for sale during the first and second quarters of the fiscal year than during subsequent quarters due to seasonal management activities, such as wildlife management during deer season.

Market demand for timber stumpage in the first quarter was up from the same period last fiscal year. Two hundred fourteen of the 252 sales sold at the initial offering. Only 38 sales, or 15%, were no bid. This was significantly fewer no bid sales compared to 28% no bid in the first quarter of FY 2006-07. Department changes in the appraisal and no bid sale processes contributed to this improvement.

Market demand for timber stumpage continued to strengthen in the second quarter. Of 176 sales, only ten were no bid at the initial offering. All sales offered in March were sold. Changes in the appraisal and no bid sale processes contributed to this improvement. The first half of FY 2006-07 had 28% no bid compared to 11% no bid in FY 2007-08. The table below reflects the no bid sales and percentages.

FY 2007-08	Total Sales Offered in the Quarter	Offerings with No Bids	Percent of No Bid Sales
1 <sup>st</sup> quarter	252	38	15%
2 <sup>nd</sup> quarter	176	10	6%
<b>Total</b>	<b>428</b>	<b>48</b>	<b>11%</b>